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AUTHOR Stefonek, Tom
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ABSTRACT

The first half of this paper reviews the school enrollment trend in the state of Wisconsin and discusses the implications of school closings. It offers planning suggestions to local districts in light of statewide declining enrollments. The second half of the paper--a review of recent literature related to "cutback management"--is presented to assist local personnel in understanding how organizations react to diminishing populations. Some of the areas explored include organizational decline and resource scarcity, organizational responses to municipal budget decreases, the closing of government facilities, public policy and program termination, cutbacks in the private university, and strategies for reduction in force. (Author/LD)

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EFFECTIVE MANAGEMENT IN CONTRACTING PUBLIC ORGANIZATIONS

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by

Tom Stefonek, Ph.D.

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Introduction

School boards and school administrators are constantly involved in making difficult management decisions related to the operation of the complex public organizations in which they work. In the past, these decisions have often been related to the growth and expansion of the school system. Today, however, districts are faced with new problems and challenges as enrollments decline, taxation levels are reached, cost controls are encountered, and severe inflation rates erode the purchasing power of the budget.

In this paper, a review of the state enrollment trend is presented and some implications are noted for districts involved in school closing efforts. In addition, a review of recent literature related to "cutback management" is presented to assist local personnel to better understand how organizations function and react to diminishing resources and diminishing client groups.

Tom Stefonek, Ph.D., Director
Bureau for Evaluation, Planning, Information and Research
Wisconsin Department of Public Instruction

Part I: Cutback Management and the Public K-12 School System

Wisconsin's Changing Population and Enrollment Situation

A superficial look at the K-12 school system statistics in Wisconsin reveals little that seems to describe a shrinking organizational system. Per pupil expenditures and the total dollar amount spent for education are at all time highs. The number of local districts and individual schools shows no significant decline, with 433 districts and 2,230 schools in the 1978-79 school year as compared with 436 districts and 2,312 schools in 1973-74. The total number of professional staff was 54,741 FTE in 1974-75 and 56,270 FTE in 1978-79, with 50,043 FTE teachers in 1974-75 compared with 50,777 FTE in 1978-79. The number of high school graduates increased from 69,442 in 1965 to 81,513 in 1975-76 to 84,020 in 1978-79, further suggesting that the system is still growing and expanding as it has done since the 1940s. It is the K-12 enrollment comparison which reveals a significant change occurring, i.e., a decline from 987,022 pupils in 1974-75 to 886,419 in 1978-79—a total of 100,603 fewer students served or a reduction of 10.2 percent over a four-year period. In fact, the decline began in 1972-73 after the peak of 999,921 pupils was reached in 1971-72, and from 1972-73 to 1978-79 a loss of 113,502 students, or 11.4 percent, was experienced in the K-12 system. By 1982-83, it is projected that the K-12 enrollment will be approximately 788,000, or 14.7 percent less than in 1977-78. Because of the general expansion of the system in terms of dollars expended, staff employed, programs and services initiated, and number of annual graduates, it has been difficult for some to accept that the system is in fact contracting as measured by the pupil population served. A brief overview of birth rates and population trends reveals why this is occurring.[1]

In 1800, the average woman had seven children, five of whom survived. During the depression years of the 1930s, the average woman had 2.1 children; however, the rate increased during the post-World War II period to 3.8 children. As of 1976, an all-time low of 1.75 children per woman of child-bearing age was reached. In actual numbers, 59,269 live births occurred in Wisconsin in 1920, dropping to 52,402 in 1935, and rising to 99,793 in the "baby boom" of 1960. By 1973, however, the total was down to less than 63,000, and only 68,000 are predicted for 1980.

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[1] Information regarding enrollment trends, birth rates, and implications for the public schools is drawn from the 1977-78 edition of *Planning for Better Education in Wisconsin,* Wisconsin Department of Public Instruction; data compiled and interpreted by Clifton G. Fonstad.

Two primary factors obviously affect the number of children born annually; i.e., the number of women of child-bearing age and the fertility rate of those women. The fertility rate was 75.8 births per 1,000 women in 1935; 122.7 per 1,000 women in 1960; and only 66.7 per 1,000 women in 1975. In 1960, there were 26,000 fewer women ages 20-34 in Wisconsin than in 1950, yet births increased from over 83,000 to over 99,000 a year. In 1970, there were 80,000 more women of child-bearing age than in 1960, yet a drop of over 22,000 births per year occurred. By 1975, there were 99,000 more such women than in 1960, but annual births dropped to 77,455 in 1970 and to 62,796 in 1973. The number of women of child-bearing age will rise by approximately 155,000 by 1985 due to the large number of births in the 1950s and 1960s, so even if fertility rates remain at the present low level, there is expected to be an increase in births to about 80,000 annually by the mid-1980s. This increased number of births will result in increasing elementary enrollments starting in the early 1980s and reaching the high schools about 1990. This "enrollment bulge" is expected to decline again after 1995. Even during this ten-year reversal of the current decline, the total K-12 public enrollment will not come close to the 1971 total of 999,921.

It is evident, based upon the large numbers of women in the child-bearing age range and the simultaneous decrease in fertility rate and the actual number of live births, that significant changes in economic and social values and attitudes have occurred within the past twenty years. Family planning is widespread, the costs of raising children have increased significantly, and many young couples are delaying having children or have decided not to raise families. Women are marrying at an older age. In 1960, 28 percent of women ages 20 to 24 were single; by 1975 this figure had increased to 38 percent who were single. The number of women working outside the home has increased from 20 percent in 1900, to 37 percent in 1960, to 48 percent in 1978. Both because of economic necessity and new life styles and attitudes, the traditional role of women as child-bearing homemakers has undergone significant changes with far-reaching consequences and implications for the public schools and other social agencies.

As might be predicted, pupil enrollment decreases are not distributed uniformly throughout the state. The following figures describe recent changes:

- From 1970-71 to 1977-78, 25 counties (34.7%) had increased enrollments while 47 counties (65.3%) experienced enrollment declines.
- From 1976 to 1977, 308 districts (70%) had enrollment declines, 121 (28%) had enrollment gains, and 7 districts (approximately 2%) had no change.

- From 1977 to 1978, 340 districts (79.6%) showed declines, 81 districts (18.9%) showed gains, and 6 districts (1.4%) had no enrollment change.
- From 1976-77 to 1977-78, the incidence of decline increased from 70 percent to 79.6 percent of the districts, and the one year pupil decline increased to 31,444 students (3.4%).

One reason it has been difficult for many people to comprehend what is happening with the state population is that in spite of declining enrollments the total state population continues to increase and the visible signs of growth and expansion continue to be seen everywhere. From 1970 to 1978, the state population increased by 5.3 percent, or 235,000 people, as 94 percent of the counties, 80 percent of the villages, and 68 percent of the cities experienced population increases. While this growth was occurring, enrollments statewide, including both public and nonpublic students, decreased by over 100,000, or nearly 9 percent. Obviously, the state population is growing older on an average basis as is the population nationally. In 1790, one half the U.S. population was under 16; today, the average age is almost 30 years, and by 2030 it is expected to be about 37 years. Such changes have great implications for a society in terms of the need for schools and public support for schools; social security and retirement program costs; health care needs; the number and percentage of employed workers to provide tax dollars for public use; and changing attitudes and values that can occur with an older national and statewide population.

In addition to a changing age composition, it is also important to understand shifts in the physical location of the population. Prior to 1970, metropolitan areas increased significantly in size as rural and small town residents found jobs in the cities and lived therein or in the suburban circles that surrounded them. The growth of the suburbs was a national phenomena that virtually provided the stereotype of the average American family. By the mid-1970s, the long-standing trend had been reversed as metropolitan growth declined to .6 percent annually while nonmetropolitan growth reached 1 percent. The trend to small towns and rural areas was confirmed by Kale's[2] 1976 study which showed that population growth in and around cities of 10,000 or more was almost twice the state average population increase. In addition, from 1970-77 the northern 20 counties increased their population at nearly twice the state average (9.2 percent compared to 4.7 percent), while Milwaukee declined by 11.2 percent and all cities over 10,000, excluding Milwaukee, grew only 1.2 percent. The 9.2 percent northern county increase added only 33,498 people, however, while the

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[2]Balkrishua Kale, "Population Trends in Wisconsin Urbanized Areas and Other Cities of Over 10,000, 1970-75," *Population Analysis Series*, 1976, Number 4, Bureau of Program Management, Wisconsin Department of Administration.

three counties adjacent to Milwaukee county (Ozaukee, Washington, and Waukesha) grew by 21.2 percent, or 74,238 people.

The age and other characteristics of the expanding population obviously have great implications for the schools which depend upon young families and new births to sustain the system. In Vilas county, the fastest growing in Wisconsin, the 1970-78 rate of growth was 36.6 percent, or 4,008 people. Wisconsin Department of Administration estimates predict nearly a 100 percent growth from 1970 to 2000 (10,958 people to 21,680). This anticipated doubling of the population, however, is not expected to result in a comparable increase in K-12 enrollment. In fact, the preschool and school age population is expected to increase by only 38 percent while the adult population ages 18 to 65 increases by 124 percent and the over-65 population increases by 131 percent. This occurrence is widespread as evidenced by the fact that from 1970 to 1977 68 counties (95 percent) had population increases while public school enrollments declined in 48 counties (67 percent). In summary, it is evident that more people, living in changing population patterns, do not automatically result in increased enrollments and a sustained growth rate for the schools which is comparable to the larger social context.

School Closing Considerations

Some districts have experienced large decreases in the number of K-12 pupils served during the past four years as indicated below:

District	1974-75	1978-79	Decrease	Percent of Decrease
Milwaukee	118,856	95,727	23,129	19.5%
Madison	30,982	26,545	4,437	14.3%
Racine	30,019	25,099	4,920	16.4%
Kenosha	20,940	17,899	3,041	14.5%
Green Bay	21,723	19,450	2,273	11.5%
Total	222,520	184,720	37,800	17.0%

As districts have experienced and analyzed stagnating or declining enrollments, a number of considerations and implications have arisen, for example:

1. It is obvious that enrollment declines do not occur in classroom size units, nor are they concentrated in specific attendance areas in most instances. Rather, they extend across a total district—a situation which

makes cutback decisions far more complex and difficult, both educationally and politically.

2. From a central administration/school board management perspective, school closings may appear to be a reasonable and responsible course of action when enrollment reductions occur across a number of schools with similar grade spans and programs. A "savings," or at least a reduced expenditure, of $50,000 or $200,000 is looked upon as an item of sufficient amount to warrant some action. From the viewpoint of parents and students within the specific affected attendance centers, the action can appear very different and undesirable. Physical proximity to the neighborhood school is lost; safety, time, and transportation factors emerge; students and staff are involuntarily injected into new facilities and pre-existing social environments; program and services differences are observed; and the loss of the school building as a unifying neighborhood force is felt. A "savings" to the district of $100,000, averaged across a district population of 25,000 people, amounts to $4 per person—an amount certainly not significant enough, in the opinion of those most affected, to justify the negative effects upon the population served.

3. The school administration and school board face a political, if not a moral, issue in making school closing decisions in the respect that those most adversely affected are usually vigorously opposed to the action while the rest of the community may hold a split opinion or show a lack of interest. Does the board then impose a negative decision upon some of its constituents over their strong protests when the remainder of the constituents are probably not actively calling for such specific action, nor perhaps even interested or supportive as long as it is occurring somewhere else? The physical establishment and continuous operation of a school establishes in effect a "social contract" with a citizen population in a specific geographic area. Even though this commitment is not highly formalized or of a specific legal nature, area residents make important decisions based upon a continuation of educational programs within the neighborhood school. While recent evidence confirms that school boards may, and in fact do, cause schools to be closed without the consent of those most affected, the difficulty of such decisions is not lessened simply because of the legality of the actions.

4. It is difficult to show with convincing clarity the specific savings which will result from school closings. Presumably, all students will continue to be served in other locations, and most, if not all, staff members will be transferred to provide those services, although some actual staff reductions may be realized if staff in the relocation school can accommodate the increased enrollment. Transportation costs must be calculated, as

must the costs associated with maintenance or "mothballing" of the unused facility if the district retains ownership. Additional costs in the schools to which children are transferred must be considered, although some economy of scale is often expected in areas such as maintenance, food services, energy consumption/heating, and some administrative and staff service areas, e.g., IMCs, guidance and counseling, health services, principal's salary, etc. As inflationary and other forces continuously cause the district budget to decrease, it is unlikely any absolute reduction of dollars spent in the district will be realized. It is rather a matter of how much more would have been spent on top of new annual increases, rather than how much less will be spent in total.

5. When school closings are proposed, especially in districts with substantial numbers of schools with similar grade levels, it is usually necessary to develop criteria to be used in the selection process. These may include population and enrollment characteristics and projections for each attendance area; proximity of other schools; time, distance, transportation, and safety factors; age, condition, and capacity of the facilities; maintenance and other operating costs; pupil-teacher ratios; unique physical characteristics of buildings (handicapped persons' facilities, gymnasiums, playground areas, pools, etc.); and other quantifiable, objective descriptions which can help make difficult decisions more rational and, hopefully, less emotional. Despite the "hard data" and rank order lists of schools which may result, there is still much which is subjective in the school closing process and dependent upon values, attitudes, and beliefs which cannot be reduced to simply counts of dollars, pupils, teachers, miles, or square feet.

6. At a time of declining enrollments, it is somewhat paradoxical that in 1970-71 there were 51,215 FTE professional staff members to serve 993,736 pupils while in 1978-79 schools employed 56,270 FTE professional staff members to serve 855,016 students—a reduction of 138,720 children and an increase of 5,055 staff members. "Why," the frustrated taxpayer asks, "does it take more professionals at record level salaries to staff schools which have over 138,000 fewer students than eight years ago?" There are reasons for the situation, including the following:

   (a) During the 1960s, the traditional curriculum, particularly at the high school level, was labeled "irrelevant," i.e., not related to the needs, aspirations, experiences, and real-world demands and interests of the school age population. Widespread curriculum revision and expansion followed, with a resultant increase in many districts in the number and variety of courses offered. The programs offered by the comprehensive high school of 1980, with courses ranging from

computer sciences to domestic arts to aviation mechanics to advanced German, require many teacher specialists. This curriculum expansion, coupled with the "enrollment bulge" which is now flowing through the high schools, has resulted in more teachers providing more educational experiences for more students at an ever-increasing cost.

(b) Not all of the increased number of professional staff employed by school districts are classroom teachers in the traditional sense. Many new and expanded services, such as health, special education, speech therapy, guidance and counseling, and compensatory education, are present in the schools as the result of local initiative, state mandates, federal requirements, and special purpose federal and state discretionary projects and programs. Examples are abundant and obvious—ESEA I, the Special Educational Needs (SEN) Program, P.L. 94-142 (federal handicapped legislation), ESEA IV-B and C, the thirteen standards, etc. While some of these programs have resulted in additional classroom teachers, others have provided technical assistance and resource personnel, curriculum development specialists, supervisory staff, and specialized instructional personnel who work with small groups or with individual pupils. The total staff-pupil ratio of 19.4 to 1 in 1970-71 had changed to 15.75 to 1 in 1978-79, reflecting the changing staff composition as well as the larger numbers of "regular" classroom teachers needed to instruct the annual (until 1973) enrollment increases and the personnel demands of the expanded curriculum.

(c) District boards and administrators have realized for the past few years, as have all Wisconsin citizens, that it is very difficult to achieve absolute reductions in expenditures, even during a time characterized by "cutback management." Current inflationary rates of 12-14 percent, coupled with and compounded by previous annual rates of 6, 8 or 10 percent, have resulted in increased personnel costs, and inasmuch as staff costs constitute the majority share of the local district budget, the effect upon the total number of dollars has been obvious and extensive. Minor reductions in staff which may result because of enrollment declines are not usually substantial enough to offset the annual increases of salaries and benefits in a labor intensive system during a time of substantial inflation.

Local District Planning Requirements

There are obviously no easy solutions to the many problems caused by declining enrollments. Districts can meet new challenges more rationally and responsibly, however, by considering the following items:

1. Local Enrollment Projections

   Districts cannot expect statewide enrollment fluctuations to occur within the district exactly as they occur across 433 districts. Some districts have experienced steady growth during the past seven years of statewide decline and may continue to do so. Other districts have experienced declines far greater than the statewide averages, while others have shown almost no change in recent years. Each district is a separate unit of analysis, because each is a distinct management unit as well as a distinct population unit. Districts have recent historical enrollment figures available as well as current and recent school census data. Local considerations, such as immigration, emigration, area birth rate, housing patterns, and employment opportunities, have all traditionally been used to analyze future enrollment trends. Local expertise, in combination with state agency data and consultants as well as contracted private sector consultants, can provide a sound historical descriptive base and can reduce error in the development of future projections. The process is less than an exact science, however, as experienced practitioners will attest.

   Responsible estimates, even though imperfect, are a necessary prerequisite to any decision plan and would be expected of the local board and administration as part of their public and professional responsibility.

2. Facilities and Program Inventory

   School districts have records of personal characteristics and numbers as the result of many routine employment, contractual, benefits, and assignment actions. Less specificity is often found, however, in the areas of physical facilities and educational programs. While such data are known and documented, there is often less frequent updating and less summarization due to fewer and less frequent decisions drawing upon such information. In anticipation of potential school closings, a comprehensive facilities inventory should be developed which would include information regarding the size, space, and condition, maintenance and energy costs, location, space utilization rate, enrollment, and selected other items of information for each building currently operated. An effective facilities management program would have such descriptors readily available with little additional effort. However, if this

area has not received attention and descriptive documentation recently, it would be desirable to develop such a data base as it will be essential and useful if school closings are even considered in the district.

While the program/curricular offerings of a school district may appear to be stable and routine, as viewed by the casual observer, there is usually more change occurring than is frequently realized. Special projects and programs cause many staffing and facilities-related decisions to be made each year. In addition, the substantial increase in secondary courses has resulted in high school programs which are more diverse and complex than the offerings of ten or fifteen years ago. When student services such as guidance, counseling, health, and social services are included, it becomes apparent that a comprehensive summary of what is being offered to whom, and where, is essential if decisions are required regarding school closings, staff reductions, or course offering cutbacks. Even though most schools closed are elementary buildings, local boards and administrators must be prepared to answer many questions from a concerned community regarding the quantity and quality of the educational programs that will be available to affected students. The loss of a playground, a swimming pool, access for handicapped students, a good IMC, or a gymnasium can be a serious consideration for the neighborhood involved. There is an assumption that reading, math, science, and numerous other curricular opportunities will continue to be provided although the quality of such offerings will also be debated.

At the secondary level, cost, enrollment, and staff needs data, particularly in the elective, advanced course areas, should be collected and analyzed in anticipation of possible reductions. Freshman English will probably be available regardless of enrollment and financial constraints, but advanced math, science, or foreign language courses, for example, may be carefully reconsidered if only a small number of students are enrolled and reductions must occur. Personal values will not be eliminated because of descriptive data, but in the absence of such data, less rational debate is likely to occur.

3. Facilities Options

School boards, administrators, and community residents all recognize that enrollment trends can change over time, and the hasty, premature disposal of serviceable buildings which might be needed again in the future should be avoided. The memories of rapidly increasing enrollments, building projects, and construction costs experienced in the 1950s and 1960s are vivid for many educators and district residents. Districts faced with surplus buildings at the present time usually explore alternative rental or leasing possibilities at some time during the

closeout process. Local needs in the areas of community recreation, day care services, private schools, commercial offices, and adult education are often surveyed, and communication is usually initiated with both public agencies and private businesses to explore alternative use possibilities. While the perfect match may seldom be found between space available from the district and space needed by another agency organization, good management practice requires that such possibilities be considered as one of the alternatives available if schools must be closed.

4. Public and Community Involvement

School closings are usually difficult actions which are viewed negatively by the staff, pupils, and area residents most affected and perhaps even by the community at large. Such decisions cannot be made arbitrarily or abruptly by local boards if public confidence, much less public support, is to be maintained. Through public statements, news releases, enrollment reports, and other routine communication processes, the community should be informed in advance, over a period of time, that an enrollment and school building problem is developing. As conditions develop which require board action, there should be widespread discussion of the issues and alternatives involved and of the criteria which may be used to make final closing discussions. The Madison Public Schools, during the process of closing three elementary buildings in 1979, considered the following:

1. *Neighborhood Factors,* including a child proximity count (density of student population near each school); child proximity overlap (student population density of surrounding area); and percent of student overlap (closeness of other attendance area.).
2. *Building Factors,* including school building area in square feet; school building capacity; building age; classrooms in use; classrooms not in use; area divided by enrollment, current year; area divided by capacity; area divided by enrollment, previous year; capacity divided by proximity; proximity divided by capacity; maintenance cost; and percent of classrooms for instruction.
3. *Energy Factors,* including fuel consumption (BTU); electricity consumption (KWH); building heat ($); electricity consumption ($); fuel divided by area; electricity (KWH) divided by area; heat divided by area; electricity ($) divided by area; fuel (BTU) divided by capacity; fuel ($) divided by capacity; total energy consumption; and total energy consumption divided by area.

4. *Enrollment Factors,* including enrollment, current year; enrollment, previous year; current enrollment divided by classrooms; enrollment difference; and enrollment ratio.
5. *Minority Factors,* including minority enrollment, current year; percent minority enrollment; and minority population to capacity.
6. *Dollar Factors,* including total expenditures; salaries, current year; and total expenditures divided by area.

Using detailed criteria based on these characteristics, a rank order list of over 30 elementary schools was developed during 1979 and used as the basis for the first round of school closings.

As the decisionmaking time approaches, public forums and school board hearings may be held; opposition groups can be expected to form and to work to solicit public support; supportive data for both closing and retaining the schools involved will be generated; and emotional debate can be expected as conflicting values, opinions, and data are made known. Assumptions will be made and challenged, and financial "savings" will be disputed. After this desirable and necessary period of information gathering and dissemination and the vigorous exchange of viewpoints and opinions, decisions must finally be made. If the decision is to close a school or schools, the board and administration should share information related to parental, student, and staff concerns as quickly and completely as possible. Knowing how transportation will be provided, who the new teacher will be, and what programs and services are available at the new school will not dispel all the unhappiness felt by the parent and student, but it does provide come specific information that will be helpful and which provides some needed structure to look forward to for the new school year.

During the months of debate that precede school closing decisions, school board members and administrators should strive to keep communication lines open; recognize that heated debate will probably occur; and make special efforts not to personalize the issues nor to take personally the criticisms that may be levied during a time of emotion and frustration. No easy solutions exist for difficult problems caused by declining enrollments. Administrators and school board members will find that their positions of influence and power require considerable emotional and physical energy as they work to assure quality educational opportunities at the most efficient cost on a districtwide basis.

Part II: Effective Management In Contracting Public Organizations: Related Literature

It has been well recognized in recent years that most planning and management theories and practices related to public agencies have been predicated primarily upon assumptions such as increased growth, i.e., larger budgets, more employees, additional facilities, new programs, and additional client groups. The continuous growth patterns of governmental services and agencies, as a result of new and expanded social programs, made it necessary that continuous expansion be anticipated and planned for. "Planning" carried the almost inevitable expectation and assumption that more services would be provided by more employees under provisions of an increased budget. During the 1970s, however, some new forces emerged which have caused both theorists and organizational management practitioners to give increased attention to "cutback management." Some of these new considerations include the continuing concern over energy availability and the associated costs; public reaction to high taxation as demonstrated by Proposition 13 in California; high inflation rates which have reduced real purchasing power; nationwide demands for a balanced federal budget; some disillusionment with the results of government programs intended to alleviate or eliminate poverty and ignorance; and changing age characteristics of the population as evidenced by declining school enrollments and increased attention and priority regarding health and retirement programs for the older citizen.

Courses of Organizational Decline

Charles H. Levine, of the University of Maryland's Institute for Urban Studies, has published several articles related to cutback management which provide a conceptual model within which many operational phenomena can be located. In a 1978 article[3] Levine identifies five causes of public sector contraction which give rise to a number of problems for management personnel. The first reason cited is that of problem depletion, i.e., reductions which occur because a problem is solved, alleviated, brought under control, or when the demand is reduced because of demograhic changes, such as the absence of children in sufficient numbers to maintain the growth pattern of the schools. Comparing the high unemployment rates and large public employment programs of the 1930s with the relatively low unemployment rate of the late 1970s might be another example of a problem that has been alleviated, although C.E.T.A.-type programs and large

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[3] Charles H. Levine, *Cutback Management In An Era of Scarcity: Hard Questions for Hard Times*, Notebook, pp. 11-14.

public assistance and welfare rolls might provide evidence to debate this example. Perhaps the changed purpose and program of the "March of Dimes" polio prevention/treatment organization serves as a better example of how the reason for existence of an agency can disappear through medical progress, and a new purpose, i.e., prevention and treatment of birth defects, must be found if the organization is to survive.

Levine points out that periodic legislative review of programs under "sunset legislation" provisions is aimed at identifying obsolete or inappropriate areas of public funding before the agencies involved can practice the time-nonored bureaucratic practice of directing resources toward assurance of organizational survival even if the original need no longer exists.

A second cause for public sector reductions is erosion of the economic base which is needed to support the required or desired services. Levine uses the example of urban decay and economic decline to illustrate that even though the need for human services may be acute, e.g., education, health, job training, drug/alcohol rehabilitation, etc., there is an economic inability of the community to support such services. While New York City and Cleveland may serve as more dramatic examples, the same problems and inadequacies can be found in many poor rural areas of the nation.

Inflation is cited as a third major cause for cutbacks. The service nature of most public agencies is reflected by high personnel requirements, which in turn are rapidly and adversely affected by the continuously rising cost of maintaining staff in an era of seemingly continuous contract/salary negotiations. When savings must be realized, personnel costs are often the only meaningful way this can be accomplished, and the result is an immediate reduction in the service level offered. It is also often true that a public service employee, because of the nature of the work, can serve only a limited number of clients, e.g., a teacher of handicapped children or a therapist for developmentally disabled persons. A full salary of perhaps $12,000 to $20,000 may be expended on as few as ten or twenty service recipients. As a result, per unit costs are high. By contrast, large private corporations, especially those in such areas as petroleum production and refining and public utilities, may generate sales of $300,000 to $800,000 per employee with fairly predictable effects upon corporate profits.

A fourth cause of public agency reductions, Levine believes, is the resistance of taxpayers and their legislative representatives to continue or increase high levels of support through high levels of taxation for services which are often perceived as unnecessary, ineffective, inefficient, or contrary to acceptable public policy. Specific factors involved in this movement include the difficulty of proving program effectiveness; the backlash

against increasingly militant, unionized public employees; a belief that bureaucracies are more concerned with organizational growth and survival than problem resolution; and a deeply ingrained suspicion that the poor and minorities haven't made a serious effort to improve their lives but are content to take benefits from working taxpayers channeled through self-serving bureaucrats. The more than thirty states which have shown budget surpluses in the past several years, including those such as Wisconsin which have returned hundreds of millions of dollars to the taxpayers, serve as evidence that even though many needs and problems persist, the effort and expenditure levels that will be tolerated may have been reached in many states.

The fifth cause of public reductions is labeled "limits to growth" and serves as an umbrella extending over the other four reasons. This factor recognizes the danger of exhausting non-renewable resources and reflects a new awareness that this nation cannot maintain rapid, continuous growth at the expense of the other 94 percent of the world's population. This concern is reflected in the attention given in recent years to ecology and resource conservation, challenges to the "bigger is better" concept, and renewed interest and concern regarding the quality of life rather than the quantity of goods produced and consumed.

Levine believes that four identifiable aspects of resource scarcity are the cause of nine problems. These aspects are:

1. The reluctance of people to accept change in the absence of rewards or gains for their cooperation.
2. Legal, civil service, union, and related organizational constraints which reduce the ability of public agency managers to make focused, meaningful reductions.
3. Morale and job satisfaction problems which affect productivity in service areas where productivity is often already difficult to measure.
4. Reduced job enjoyment and sense of worth among employes in a situation where those who remain have to do more with less.

The resultant problems caused within a declining organization are discussed by Levine in a March/April 1979 article[4] and include:

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[4] Charles H. Levine, "More on Cutback Management: Hard Questions for Hard Times," *Public Management Forum*, March/April 1979, pp. 179-182.

1. The Paradox of Irreducible Wholes

This statement recognizes the fact that organizations cannot be dismantled piecemeal by simply reversing the process by which they grew. Cutting out components can adversely affect critical masses of resources which have been assembled, and the unintended or unanticipated consequences can have negative effects throughout the organization far out of proportion to the obvious impact. For example, a recently developed internal data processing capability, if terminated, can cause complications and disruptions throughout an organization as operating units rush to compensate for lost, depended-upon services.

2. The Management Science Paradox

Levine maintains in this hypothesis, which perhaps could be refuted to some degree, that in prosperous times public organizations develop elaborate management information systems and policy analysis capabilities along with the necessary hardware and software systems but don't use them effectively, because they are busy building and maintaining political constituencies. When declines occur, the maintenance and usage of this analytic capacity often becomes impossible, thus the paradox that when it's available, it's not needed, and when it's needed, it doesn't exist any longer and can't be used.

3. The Free Exiter Problem

Not every member of an organization contributes equally to the attainment of organizational goals. During periods of expansion, some employees enjoy the benefits of affluence, such as travel, promotions, and personal training, without contributing substantially to the work effort. During periods of contraction, some people seek to avoid sharing in the necessary sacrifices or perhaps leave the organization if their skills are in demand in the job market. Often, these are the most capable and talented people who are vitally needed at that time to help the organization cope with adversity. The resultant management problem is how to limit free exiters and reward the most capable people for staying on during difficult times.

4. The Tooth Fairy Syndrome

Employees often refuse to recognize or believe that reductions are real or that they will be permanent. There is an inherently optimistic attitude that the situation is temporary, that previous threats never really materialized, and that cuts will soon be restored by some unknown benefactor, hence the tooth fairy analogy. This attitude impedes voluntary reductions and

causes resistance and cynicism to develop which affect management's credibility and cause delays while everyone waits for someone else to take action or the expected rescuer to arrive.

5. The Participation Paradox

Bureaucracies, especially public ones, have often practiced participatory decisionmaking as a way to promote change and gain acceptance of new goals and practices. Rational cutback strategies, however, often require and result in greater impact upon some people and programs than on others. Broad participation can result in protective behavior by those who perceive their operations to be in jeopardy and can inhibit hard decisions by management staff who don't want to antagonize their colleagues. Deadlocks and conflicts can often be avoided by allocating reductions across all programs and units, yet this may be far less productive and cause many more problems than if cuts were focused upon lowest priority areas of operation.

6. The Forgotten Deal Paradox

Ideally, reductions should be planned and implemented in an orderly, longitudinal manner, and some agreements and provisions should be made for restoration of personnel, equipment, and related resources as needs and conditions warrant. In the public sector, however, with its dependence on legislative approval of annual or biennial budgets, management turnover, and uncertainties caused by political appointee systems or civil service constraints, there is little confidence that promises can or will be kept at some uncertain future date. Having little faith in getting resources back causes managers to hold on tenaciously to what they have, even if some reductions could be volunteered without serious immediate consequences.

7. The Productivity Paradox

During periods of contractions, organizations often attempt to increase productivity to demonstrate their worth and to compensate for reduced resources. However, just as it often takes money to make money, it often requires advance money to increase productivity. It is difficult to find such money in austere times, and if it can be generated, it frequently results from terminating employees or not filling vacancies. Both measures usually result in decreased productivity.

8. Mandates-Without-Money Dilemma

Levine points out a problem that many local school district administrators can relate to—the situation in which courts and legislatures place legal requirements upon organizations without providing the money needed for compliance. Such mandates do not usually consider the fiscal capability of the organizations involved. If mandates are met, it may be at the expense of higher local priorities; if they are not met, local officials risk personal and/or organizational indictment and liability, because the legal recourse available to those unserved or unprotected is so evident and so readily available.

9. The Efficiency Paradox

Two problems confront public agency managers during cutback periods. The first is that inefficient, poorly managed organizations can make reductions easier than those which have been lean and well run all along. Across-the-board reductions, therefore, penalize good performers more than poor performers as there is less discretion and less waste in the productive bureaucracy that can be easily identified and eliminated. The second dilemma is that there are few or no rewards for reducing or conserving resources in public management. In fact, those who spend more often get more, and those who hold the line or give up personnel or money find they are in effect subsidizing those who exercise little or no restraint. Showing a surplus of a resource is a likely way to have the allocation reduced during the next fiscal period. This "use it or lose it" situation virtually assures that every manager will expend all available resources, whether actually needed or not, to assure their availability during high need times in the future.

Organizational Responses To Reduced Resource Levels

Levine discussed organizational decline and cutback management in a 1978 article in which a slightly different viewpoint and terminology were used to explain the causes of public organization decline.[5] A four-cell matrix was used (see Figure 1) to categorize major causes as being internal or external or being a product of political or economic/technical conditions.

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[5] Charles H. Levine, "Organizational Decline and Cutback Management," *Public Administration Review*, July/August 1978, pp. 316-325.

Figure 1: Causes of Public Organization Decline

	Internal	External
Political	Political Vulnerability	Problem Depletion
Economic/ Technical	Organizational Atrophy	Environmental Entrophy

Problem depletion in this article is the same situation as described previously, i.e., the reason for organizational existence has disappeared. "Environmental entrophy" is a fancier name for what was termed "erosion of the economic base" in the previous article, i.e., resources are no longer available for continuation of the services. "Political vulnerability," Levine contends, "is an internal property indicating a high level of fragility and precariousness which limits their capacity to resist budget decrements and demands to contract from their environment."[6] Old organizations, it is observed, are actually more flexible than young ones and rarely shrink significantly or disappear totally. A base of expertise, positive image, and a history of excellence are positive factors in an organization which appears to be more significant and have better predictive value than negative factors, such as small size, high internal conflict, and frequent changes in leadership.

"Organizational atrophy" is an internal malady exemplified by such traits as inconsistent incentives, role confusion, decentralized authority with vague responsibility, too many inappropriate rules, stifled dissent and communication, high turnover, lack of self-evaluating and self-correcting capacity, rationalization of performance failure, continuous reorganization, inability to change methods and technologies, and suspicion of outsiders. Such atrophy is possible in any type of organization, but governmental bureaucracies are especially vulnerable, because they lack market-generated revenues to signal malfunctions and pinpoint responsibility.

Levine observes that growth has the appearance of a rational administrative process while decline has the appearance of an arational, polycentric, and fragmented process. It is also noted that bureaucrats often officially give the public impression of planning and implementing meaningful reductions but at the same time work informally to buy time, delay change, and make token sacrifices until the cutback pressure eases. In most situations, a mixture of tactics is used either to resist or smooth decline without

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[6] *Ibid.* p. 317.

serious and obvious conflict. These strategies often include the five most commonly used cutback methods, i.e., seniority, hiring freezes, even percentage cuts across the board, productivity criteria, and zero base budgeting.

Seniority may have little relationship to equity or efficiency of a cutback situation but is based on a longstanding public service and union philosophy related to employment security. Seniority may result in uneven impact across the organization, and the "last in-first out" rule often inflicts the greatest harm on minority group members and women who are new to the work force. Protecting or exempting such persons can result in a complex legal issue and create tension and resentment among co-workers.

A hiring freeze is less traumatic, because all current employees are protected while attrition is intended to reduce the size of the work force over time. Equity is not assured, however, because attrition does not necessarily occur at a uniform rate across an organization, and some units may experience a shortage of critically skilled employees and not be able to replace them while other units maintain full employment of less essential or productive staff. In addition, during the hiring freeze, the employment door remains closed to minorities and women, and the process eliminates managerial control and intelligent planning of the cutback process and leaves it to chance as to when and where vacancies will occur.

Even percentage cuts across the board eliminate difficult management decisions of mandating uneven reductions but are not sensitive to the differing needs, functions, and contributions of different units. It is also possible that a 10 percent reduction in one large unit may mean only some minor belt tightening from among a variety of alternatives while the same cut in a highly specialized small unit could cause the loss of a critical person, function, or piece of equipment that could greatly reduce overall productivity, because the critical mass of resources was unbalanced.

Utilizing productivity criteria introduces some difficult measurement problems in most social service agencies and introduces varying value judgements regarding client needs, staff effectiveness, and unit effort. Because organizations are not fully rational in their behavior, there will likely be a mixture of objective analysis, values, and political bargaining involved in productivity-based cutback plans.

Levine believes zero based budgeting (ZBB) gets high marks as a cutback strategy, because it is future directed, it allows for tradeoffs between programs or units below present funding levels, and a ranking of decision packages can be made and used for political bargaining and negotiation

purposes. ZBB is likely to be an expensive analytical process, however, and can generate intensive competition between units as priority ranking, tradeoffs, and the assignments of reductions occur. In addition, the limitations and pitfalls of cost-benefit analysis must be recognized as a ZBB limitation.

In summary, it is evident that cutback management is a difficult process, and each particular strategy entails certain inequities, dangers, and deficiencies. After decades of growth, organizations and management personnel are at an embryonic state insofar as effective and efficient cutback management is concerned.

Municipal Reductions: The New York City Experience

Andrew Glasberg, drawing heavily upon New York City's cutback reductions, described organizational responses to municipal budget decreases.[7] He notes the oft-cited observation of Anthony Downs that "The major yardsticks for decision making used by private nonbureaucratic firms are completely unavailable to men who run bureaus."[8] The observation is also made that bankruptcies and small business failures occur rather frequently in the private sector but that bureaucracies and some types of large-scale public organizations are virtually assured of survival. The examples of Lockheed, Penn Central, the U.S. Postal Service, AmTrak, and others seem to support this contention to some degree. Despite many differences between private and public organizations, it is noted that in times of fiscal crisis the two types both turn to similar sources of aid and utilize similar strategies to attempt to survive, including the tendency to shift to "market alternatives."

Glasberg states that little experience or literature exists regarding public sector resource decline, because the process of incremental growth has generally been the pattern in America. Even less is available to assist those who must cope with quantum budget cuts such as those experienced in New York City in which the city work force declined by 20.8 percent between June 30, 1975 and July 30, 1977, including a 28.6 percent reduction in higher education and a 20.2 percent reduction in the K-12 system. A leadership model associated with substantial public sector resource declines suggests three types can appear: (1) the "figure-head leader" who avoids leadership and innovation and is basically incompatible with rapid

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[7] Andrew Glasberg, "Organizational Responses to Municipal Budget Decreases," *Public Administration Review*, July/August 1978, pp. 325-331.

[8] Anthony Downs, *Inside Bureaucracy*, (Boston: Little, Brown, 1967), p. 30.

decline; (2) the "broker" who builds coalitions and attempts to defend the budget base; and (3) the "civic entrepreneur" who is adept at accumulating resources and using them to pyramid and centralize power in a fragmented system.

Within the private sector, three cutback management styles are also identified which may provide insights for public organizations. These include: (1) the "cut-the-fat tough guy" who drastically reduces overhead costs and labor costs; (2) the "revitalizing entrepreneur" who attempts to redirect the organization into a narrower scope of activity in an effort to create a new balance between resources and costs; and (3) the "receiver in bankruptcy" who has no personal stake in the continued survival of the organization but rather promotes his career by the effectiveness with which he is able to close down the operation.

These three types of managers play their roles to different audiences who will evaluate their success. The "cut-the-fat tough guy" who cannot redefine or redirect the organization must depend on external support from an outside audience, as serious internal opposition and conflict can be expected as reforms are implemented. The "revitalizing entrepreneur" depends less on external support as he pares down and redirects the organization. While resistance may be expected from those units which are being eliminated or reduced in size and function, a core of support can be anticipated from the stronger units which are selected to survive and be revitalized within the new, smaller organization. The "receiver in bankruptcy" performs his work with the support of powerful external constituencies who will judge his effectiveness and influence his professional future based on the degree to which their expectations are met, not to the degree with which internal conflict is avoided or client satisfaction is maintained.

Glasberg notes that some public organizations, such as hospitals, have a relatively fixed mission, and a usual response is to cut costs rather than develop new client services. Others, such as colleges and universities, have other service options open to them, such as developing new programs, expanding adult/extension services, focusing upon new population groups (minorities and disadvantaged), or closing down marginal departments or programs whose demise does not adversely affect the larger organization. It is interesting to note that the budget crisis in New York City resulted in the elimination of very few municipal functions, but rather the reduction and continuation of almost all agencies. Melvin Lechner, then budget director, stated in a June 11, 1975 New York Times article, "There's a limit to how selective you can be in budget cuts. You get to the point where it's impossible to say whether you should cut police or hospital or educational programs. So we simply went across the board."

The Closing of Government Facilities

One of the most frequently considered yet very different and traumatic ways of dealing with declining school enrollments is the closing of entire school buildings. While some body of experience and knowledge has been acquired in some communities, there has probably been more discussion and speculation than real action in most local districts. Robert Behn, of Duke University, has analyzed the policies and practices associated with the closing of government facilities, and some of the experiences, observations, and insights may relate to the situations and problems involved at the local school level.[9]

Different reasons may cause the closing of public facilities, including fundamental changes in public policy, such as the closing of mental hospitals in favor of community-based treatment centers; basic opposition to the specific functions or activities of a particular installation, such as nuclear power plants; or, as is most often the situation, to realize economic savings or budget reductions, often in the face of a declining market for services, as municipal school systems are now experiencing and as colleges and universities may experience in the next decade. Behn notes that the government-economy rationale is not particularly effective for developing a strong, supportive political coalition compared to "reformers" and "opponents" who can generate strong ideological coalitions of various groups with similar values and interests. It is also often difficult to convince decisionmakers and the public that closing one specific school, library, or military base will result in meaningful savings, especially when phase-out/close-down costs are considered and service replacement and perhaps facilities maintenance expenses are also calculated. It has been estimated by the National Institute of Education that the annual savings resulting from closing a school, because of continuing salary and maintenance costs, will be no more than half of the cost of operating the school.

It is sometimes also true that the fiscal savings, even though great in absolute dollars, are minimal in relative budgetary terms, and the negative effects of the loss of services is given higher priority. In 1975, for example, it was reported the U.S. Postal Service could save $100 million annually by closing 12,000 rural post offices. In view of the $13 billion annual budget of the Postal Service, however, and its $1.176 billion deficit that year, the relative savings were miniscule. In addition, congressmen from California,

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[9] Robert D. Behn, "Closing A Government Facility," *Public Administration Review*, July/August 1978, pp. 332-338.

Florida, Illinois, Hawaii, West Virginia, and Wisconsin expressed great opposition to the proposed closing on the grounds that rural post offices are an American institution; they provide a sense of community identity and serve as an informal town hall and community center; and it was never intended for the Postal Service to place economic efficiency ahead of service to patrons in rural areas even if annual deficits in such locations are experienced. The Postal Reorganization Act of 1970 in part states that "No small post office shall be closed solely for operating at a deficit."

Behn makes an excellent point in discussing the general benefits advocated by "economizers" as compared to the particular harm cited by those who propose closing facilities. Closing a hospital, for example, may have a negative effect upon the poor and elderly in the immediate neighborhood and may shorten individual lives. The benefits of consolidation of patients, personnel, and equipment, however, may provide an improved level of service on a total community basis. The effects upon individuals provide powerful arguments against closing facilities, such as, "The general benefits from saving a statistical life simply do not appear to be as great as the particular benefits from saving an identified life."

Behn discusses five "tactics" identified by Simon, Smithburg, and Thompson [10] which are used by administrative agencies to assure their survival and which can also be used to promote the survival of individual facilities: (1) seeking the support of important extra-governmental groups, (2) seeking legislative support, (3) seeking the support of superiors and other persons of prestige, (4) seeking public support, and (5) executive compromise and survival. In addition to these legitimate tactics, there is the possibility also of simple defiance. Residents of New York City occupied a firehouse for 17 months to prevent removal of the engine during 1975-77, and in January-February 1976, residents occupied a branch of the New York Public Library for 40 days until C.E.T.A. funds were used to reopen it.

The moral obligation involved in helping those most directly and adversely affected by facilities closings is also a serious consideration, especially since the presence of a school, post office, or firehouse reflects to a degree a municipal contract with the neighborhood and residents served. The effect upon employees is also a serious factor, especially if termination rather than relocation is required. Maintaining morale among those who survive reductions in the work force can also be a problem, especially if

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[10] Herbert A. Simon, Donald W. Smithburg, and Victor A. Thompson, *Public Administration*, (New York: Alfred A. Knopf, 1950)

increased workloads and salary cuts or freezes are involved. Other changes in the quality of services and the work force may also occur, as in New York City when 16.5 percent, or 13,000, of the city's teachers were laid-off, and the pupil-teacher ratio rose from 20 to 25, and the average age of teachers rose from 28 to 41 years.

Behn concludes that closing a public facility is a political task that is far more complex and difficult than routine administrative chores. Financial costs, transitional assistance, economic and personnel implications, and governmental responsibilities must all be considered and addressed so the closing may be perceived as equitable, even though many persons will never believe it is just.

Public Policy And Program Termination Considerations

Garry Brewer, of Yale University, analyzes a number of considerations related to "termination," which is defined as the adjustment of policies and programs that have become dysfunctional, redundant, outmoded, and/or unnecessary." This change of public policy and practice raises a number of questions, e.g., (1) How can a policy or program be rationally or humanely ended without having had a thorough evaluation? (2) Who will suffer from the termination and in what ways? (3) What provisions of redress are provided? (4) What costs, financial and other, accrue to the persons affected? (5) Can needs be met from other sources? (6) What can be learned from termination to improve new policies and programs in the same or related fields? (7) Why is it so hard to terminate public programs even if widely believed to be ineffective? (8) How can new programs of uncertain effectiveness be designed so they can be terminated easily if they do not work? and (9) What are the dangers of overreaction to appeals to terminate large, bureaucratic organizations?

Brewer points out that different approaches and decisions will result depending upon values placed upon long-term future outcomes, benefits, and cost as opposed to short-term quick fixes to chronic problems based upon immediate payoffs or short-term financial economies. The nature of the problem addressed by the policy or program must also be integrated into the termination decisions and options. Some problems are chronic, such as national security concerns or services for the mentally and physically handicapped, and one would expect little demand for termination of

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" Garry D. Brewer, "Termination: Hard Choices—Harder Questions," *Public Administration Review*, July/August 1978, pp. 338-344.

relevant policies and programs. Recurring problems, such as disaster relief, severe unemployment, or housing programs, may also exist, and termination provisions might be built into the options developed. Resolvable problems, such as some disease eradication efforts, might have specific termination provisions built into the basic policy and related programs. Such clear-cut distinctions regarding the nature of the problem are not always possible, however, and even changing social values can influence the situation. The "poverty" levels of today are obviously quite different from those of the depression era in the 1930s, but the nation continues to perceive poverty as a problem, in relative, if not absolute, terms.

Brewer notes that little is known about the conditions in which termination works the best—rapidly and "surgically;" when it has been planned for in enabling legislation; or when it proceeds slowly in response to competent and well-publicized performance evaluations. He also contends that terminations are relatively easy to oppose politically, because issues, dependencies, services, and client groups exist in specific, concrete form, and coalitions can be rapidly formed by people with varying interests and concerns. Legislators also are reluctant to cause the demise of programs favored by colleagues, and bureaucratic agencies also often resist supporting the termination of other agencies even if they are rivals and short-term benefits can be realized.

The role of evaluation in termination decisions is considered, and a number of questions are raised regarding the political and technical problems of making conclusive judgments regarding program effectiveness. Brewer contends that "The impact of particular evaluation studies is relatively small compared to the impact of long-term shifts of attitude, belief, or ideology about the problem area as a whole." [12] The examples of the assault upon prisons and mental institutions and the termination of the supersonic transport project are cited to support this view. Current concerns regarding nuclear power plants and other energy-related issues probably lend support to the idea that general opinion shifts are more influential than specific evaluation studies of one facility, program, or policy.

Two recent types of termination proposals—zero base budgets (ZBB) and "sunset" laws—are also briefly discussed by Brewer. It is noted that the critical assumption underlying zero base budgeting is that the procedure is based on a prior, systematic, and rational performance evaluation. Considering the general lack of standards, data, resources, and procedures needed to assure this, however, Brewer anticipates that the process

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[12] *Ibid.*, p. 341.

will in fact be based upon partisan political grounds and less on program merit. The situation is worsened by the probability that the operating agencies themselves would be the source of the evaluative data used, and the author anticipates that bureaucrats would inflate and "fudge" data to establish the zero base and further manipulate data for self-serving purposes. ZBB also requires sophistication in "forward casting" and this is not done well at all at the present time according to the author. In addition, the sheer volume of work involved in the absence of time, resources, and analytical talent leads Brewer to conclude that at best a few "silly" programs might be terminated, but in general the process will become muddled to the point of being moot.

"Sunset laws" are viewed with the same pessimism for a variety of reasons. Thorough, effective, on-going program evaluations are required, and Brewer doubts that external evaluations will occur or that the operating agencies will provide valid, objective data. He expects the following outcomes in the absence of continuous and costly evaluation:

1. severe overloads of legislative calendars after the passage of the laws with consequent pro forma treatment of sunset provisions
2. reliance on agency-generated information of somewhat dubious reliability to make evaluative assessments
3. political, more than meritorious, decisions in the absence of systematic, independent, and ongoing evaluations
4. political pressure from vested interests to forego sunset assessments for a variety of particular reasons[13]

Brewer also predicts, if performance standards are being met as the sunset date approaches, the most competent people in the agency will recognize that and will stay with the programs as the review/terminal date approaches. If poor performance is obvious, however, or if political decisions rather than actual performance is viewed as the major factor in renewing the program, additional poor performance toward the end of the time period can be anticipated, and the most capable people will leave before the official demise occurs. A possible solution to the problem, Brewer feels, is the establishment of a "success threshold" in the legislation to guide and control agency operations. If such minimums were met, sunset could be suspended with only routine administrative review; if standards were not being met, a more rigorous review, with the possibility of termination, would occur.

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[13] *Ibid.*, pp. 342-343.

Cutbacks In The Private University

Organizational stagnation or decline at the university level was analyzed by Richard Cyert,[14] president of Carnegie-Mellon University. While obvious and significant differences exist between universities and public K-12 school systems, a number of Cyert's observations and perceptions seem applicable across a variety of educational agencies. Cyert notes, as have many authors, that the literature on organizational theory and management practice contains an implicit assumption that the organization is expanding or plans or intends to expand. He attributes this to the focus of such literature upon private sector business where the intent is always to increase production, sales, and profits.

Universities, Cyert believes, are difficult organizations to manage under the best of circumstances, because they are decentralized entities in which colleges, departments, and faculty members are the organizational units. In addition, the product is a service delivered by faculty members under conditions which make it difficult, and even wrong, to directly observe the delivery of that service due to traditions of academic freedom and inviolability of the classroom. He observes that the elements of authority which exist in the business organization are lacking, and rewards or sanctions do not have the same influence or meaning.

In times of stagnation or decline, promotional opportunities for employes diminish significantly, and it is difficult to attract the most capable persons. In turn, the best new leadership may not be able to be developed internally, and top positions may go to outsiders, thus complicating the problem of keeping or attracting younger, new staff based on the expectation that promotions will occur. The same type of vicious circle can occur in private universities in which declining enrollments cause financial problems which lead to tuition increases to maintain resource levels but which further reduce the number of students who can afford to attend. The circle can be broken through the infusion of additional resources, but that is not easily done from external sources as that was the initial cause of the problem. Cyert thus concludes that improved internal management is the best source of needed resources. This is not necessarily easy, however. It is difficult to keep good managers in contracting organizations, because the rewards for such people are found in expanding organizations. In addition, Cyert observes that academies resist being managed by expert managers,

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[14] Richard M. Cyert, "The Management of University of Constant or Decreasing Size," *Public Administration Review*, July/August, 1978, pp. 344-349.

and they seek to have one of their own kind in the top management position—a situation he believes rarely leads to the employment of an excellent manager.

The problem of coping with inflation is noted, and it is stated that economics due to improved management cannot achieve continued savings, and ultimately, external revenue must be obtained just to stay even with continuously rising costs. An associated problem faced by universities, and not generally by local school districts, concerns the amount of time that faculty members can devote to private consulting work and the amount of additional income that can be earned to offset falling real income in the university position. Rather than selecting quality consulting opportunities with meaningful research and service considerations, staff members may accept any offers that will provide additional money to them.

In the face of this rather dismal picture, Cyert proposes a new approach—the development of a new strategic plan for the organization. This could involve eliminating some educational areas and focusing more upon others, such as research, which tend to generate rather than deplete financial resources. Recognizing that some universities cannot find a new mix of services and resources, it is proposed that an orderly and dignified closing be planned, based on a thorough strategic analysis that no other solutions exist.

Cyert urges universities to avoid simple-minded problem analysis, e.g., "if the enrollment is down, the admissions department must be doing something wrong," and look to the larger societal context to understand basic causes and to seek more creative solutions. In time of few solutions and great contractions, the real danger is that "individuals who by nature desire excellence will begin to settle for mediocrity out of frustration."[15]

The desire to maintain excellence is difficult to maintain in a contracting organization as is acceptance of the concept that an equilibrium size can be reached at a smaller level. Cyert proposes that the scale of operation be reexamined and difficult choices be made regarding faculty, facilities, programs, research, administration, and support staff so that what remains is intentional, purposeful, and of high quality. He views the major leadership task in this process to be the maintenance of attention upon the professional goals of the organization and at the same time to follow managerial policies designed to assure the efficient utilization of resources.

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[15] *Ibid.*, p. 347.

The presence of conflict within expanding organizations, Cyert observes, is solved by locating more resources and applying them in ways which reduce inter-unit competition and still address organizational goals. In contracting organizations, that solution is obviously not available, and conflicts arise as survival efforts intensify. Innovative, aggressive units may change into unobtrusive, status quo units to avoid undue notice and possible reductions or total elimination because of their highly visible behavior. Such reactions can reduce creativity and productivity at the very time it may be needed most.

Cyert concludes his analysis by observing that ad hoc decisions to deal with decline are made because decisions must be made, not because accepted goals, priorities, and criteria are available upon which to base discussions. New ways of thinking about management must be developed to enable university managers to meet both current and anticipated problems which may exist for some period of years.

Reductions In Force Strategies

Edgar Kelley, of the University of Nebraska, edited a 1978 publication dealing with educational staff reductions and some of the policies, practices, and implications of the Reduction In Force (RIF) process.[16] Factors influencing RIF decisions were identified as declining enrollments, a continued rise in the cost of education, societal concerns about the total costs of governmental services, and a growing debate regarding the priority differing services should receive in the face of limited resources. A national public elementary and secondary enrollment of 45.9 million in 1970 declined to 42.8 million in 1978-79; a reduction of 3.1 million students, or 7 percent. By 1986, it is projected that a further decline of 4.6 million pupils will occur, reducing the national figure to 38. 2 million. Per pupil costs between 1960 and 1977, on a national basis, have increased from $749 to $1578, or 110 percent (with both figures expressed in 1977 dollars).

Kelley notes that while enrollments have been declining and costs rising, new services to poor, minority, handicapped, gifted, and non-English speaking students have been stressed and increased, and these areas of increased services and cost raise serious questions as to how the schools will maintain all "regular" programs for students not in special categories. It is also noted that at a time when the public may expect fewer teachers due to smaller enrollments, many educators and the NEA are calling for

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[16] Edgar A. Kelley, ed., *Reduction In Force: Policies, Practices, and Implications For Education,* (Lincoln, Nebraska: University of Nebraska, November 1978).

further reduction in the pupil-teacher ratio to perhaps 15:1 compared to the current 18-20:1 that exists nationally. This raises the old question, with its conflicting research evidence, of whether smaller classes result in improved pupil performance. The possibility of realizing needed economics through school district consolidation is mentioned only briefly and quickly dismissed as an unlikely solution based upon the values, traditions, and attitudes that exist regarding school reorganization, at least in Nebraska.

Kelley observes that the field of public education has little experience in RIF practices, and a critical issue is whether staff reductions should be based on seniority as an employee, seniority as a professional including previous work in other organizations, or appraisals of employee performance.

In a historical review of RIF practices, the author traces the traditional common law basis of the employer-employee relationship, the development of federal civil service legislation, and a series of labor/union acts legislated between 1926 and the 1970s. The topic of manpower planning and business and industry's differences in this area are noted, and the principle of seniority or "last in-first out" is treated in some detail. The two principal aspects of seniority are described as "benefit status" seniority, which is the length of service an individual has in an organization, and "competitive status" seniority, which is the length of service an individual has in an organization *relative* to the rights of other employes.[17] Benefit status seniority has rights and privileges which are usually financial in nature while competitive status seniority rights relate to promotions and layoff protection which may or may not be financial in nature. The conflict between seniority and affirmative action and related programs is noted, and several court decisions are cited which have affected the traditional approach of RIF procedures.

The concept of "out placement" is described when layoffs must occur, i.e., the systematic process of supporting employees' efforts to find other employment. This support and service by the employer is based upon a moral obligation to assist the individual in relocating and in reducing trauma and anxiety and the beneficial effects such support has upon overall employee work morale.

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[17] Ibid., p. 20.

In a long section of the publication devoted to RIF policies and procedures in local school districts, Kelley draws extensively upon letters and contracts provided by LEAs. While these local statements of practice and policy are too extensive for inclusion in this review, it is of interest to note that a response to Kelley from the West Bend, Wisconsin, school system said, "Because of court decisions and union pressure to focus layoffs based on seniority," the district has drafted a revision which eliminates such factors as "overall teaching experience, academic training, ability and performance in the district as previously and currently evaluated by the appropriate administrators . . . and post and potential contribution to the educational program of the district."[18] The revised policy calls for layoff based upon length of service in the district and "by assignment to an athletic, co-curricular or other special activity for which a replacement is not then available . . ."[19]

Kelley's publication lists and discusses consideration and implications inherent in the development of RIF policies at the local level, including a statement of purpose; contributing causes; the process of providing notices to the educational association; provisions for an association response; budget statements; educational and personnel factors considered; procedures for developing and distributing RIF lists; notification of individual procedures; a statement of benefits to affected staff; recall procedures; a description of restoration to position rights; and grievance procedures. In conclusion, a list of questions is presented to help districts plan effectively for possible RIF activities:

1. Has the school district adopted a set of priorities for educational operations which identifies mandated, essential, important, and auxiliary services? Does the plan include identification or reduction in services which will be made if necessary to meet legal or fiscal constraints?
2. Does the district have an inventory of the skills, training, certification, and interests of its employees? Has this inventory been used as the basis for a long-range staffing plan which considers subplans for recruitment and selection of staff, supervision of staff, planned in-service, and plans for replacement needs?
3. Has the district projected its facilities needs, including plans for maintenance or replacement of facilities? Has it planned its budget needs so

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[18] *Ibid.*, pp. 33-34.

[19] *Ibid.*, p. 34.

that both fixed costs and replacement or maintenance costs are budgeted for stability in budget and taxing needs? Has it examined possibilities for shared use of facilities with other governmental agencies?

4. Has the district developed a long-range plan which considers the population of the district and the projected needs of the district vis-a-vis facilities and programs?

5. Is the public involved in setting priorities? Is citizen input given highest consideration in determination of planning decisions?

6. Do plans exist for evaluation of the impact of reductions in program, services, or staff? Have the questions of interest to such evaluations been identified?

In addition to these questions, many more could be generated. Two of greatest importance might be: "Have alternatives been considered for each decision? Have decisions been based on seeking to provide the best possible education for the students being served?"[20]

[20] *Ibid.*, pp. 83-84.